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April 7, 2004

Ann Veneman, Secretary
United States Department of Agriculture
1400 Independence Avenue Northwest
Washington, DC 20250-2003

Dear Secretary Veneman,

Farmers and crop insurance agents continue to contact me to express serious concerns about reduced protection levels for hard red spring wheat and durum due to what they believe is a flawed process used by the Risk Management Agency to establish separate units for the 2004 crop year on revenue insurance products.

The Risk Management Agency's established procedure is flawed from a number of perspectives: it assumes that records for yields and acres are available well outside of the Agency's own record retention requirements; prior accepted methods to establish yields for added land using simple averages are discarded entirely; long-term rotations for producers result in the need to recover records as far back as 16 years in order to establish actual history; and despite this procedural separation, separate status for both crops is not consistent.

For example, it is unclear why simple average yields used to establish protection levels for crop insurance were acceptable when land was added to the crop insurance contract, but are not allowed now. This is especially frustrating because the simple average process is available for added land for nearly all crop policies and will again be available for durum and spring wheat revenue products next year. The separation process effectively treats long-term wheat farmers as new producers.

It is unclear why a producer's only choice for attribution is spring wheat, when acres and production are uncertain, when T-yields in the same county for both crops are equal.

It is unclear why the agency believes that initial replication of yields is inappropriate, but insists that both crops be covered at the same level within the county during the insurance year.

For all of the cautionary tales of unreasonable risk for the program, I note that under a replication process, risk to the program is not substantially different than if no separation in crops had occurred at all. In fact, a major case can be made that the agency's process will substantially reduce protection (and program risk) for both crops. It would seem reasonable that such a process would not increase program risk, but why should the process result in reduced protection?

Finally, my concerns are magnified by a keen understanding of market pressures already shifting significant acres from wheat to oilseeds. A flawed separation process resulting in lower protection will only serve to exacerbate this trend.

I am fully aware that the sales closing date has passed and that most yields are calculated, the short-term concerns raised should not override the long-term consequences of this process.

Most farmers are finding out only now what has occurred in the deterioration of their protection levels. Calls to my office are increasing rather than decreasing. I can only assume that agents, companies, and the agency will field numerous inquiries in coming months from frustrated customers of the crop insurance program.

I sincerely believe a better solution can be found to accomplish this split in units for hard red spring and durum without compromising protection for our producers. Therefore, I am asking you to review this situation with the Risk Management Agency and utilize your full authority as Secretary to obtain a more fair and reasonable outcome.

I look forward to hearing from you.

Sincerely,



Byron L. Dorgan
United States Senate